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August 15, 2007

The Honorable Tim Bee, President Arizona State Senate 1700 West Washington Phoenix, AZ 85007

The Honorable Jim Weiers, Speaker Arizona House of Representatives 1700 West Washington Phoenix, AZ 85007

SUBJECT: 13th Month Appropriation Status Report for SFY 2007

Dear President Bee and Speaker Weiers:

Pursuant to A.R.S. §'s 36-2920 and 36-2994, enclosed is the "13th Month" Arizona Health Care Cost Containment System's (AHCCCS) Appropriation Status Report (ASR) for SFY 2007.

AHCCCS is projecting a \$280.6 million Total Fund (\$68.2 million General Fund) surplus on a total FY 2007 appropriation of \$5.375 billion Total Fund (\$1.199 billion General Fund). The General Fund surplus is comprised of an acute care surplus of \$53.7 million and a \$14.5 million ALTCS surplus. The ALTCS surplus will not be reflected as a General Fund reversion on June 30, 2007. Instead, pursuant to A.R.S. § 11-292.N, it may be deposited into the State General Fund during FY 2008.

This report reflects expenditures paid through the "13th Month" and estimated administrative adjustment period expenditures for Administration appropriation line items and for GME payments authorized by Laws 2006, Chapter 331, Sections 8 and 33. The estimate does not include other potential programmatic administrative adjustments, if any, that may be processed.

Attachment A summarizes the major changes made to the FY 2007 forecast since the September 2006 budget submittal.

If you have any questions about this report, please do not hesitate to call Tom Betlach at 602-417-4483 or Jim Cockerham at 602-417-4059.

Sincerely,

for Anthony D. Rodgers

Director

Honorable Tim Bee Honorable Jim Weiers August 15, 2007 Page 2

Enclosure

cc: The Honorable Janet Napolitano, Governor

The Honorable Robert Burns, Chairman, Senate Appropriations Committee

The Honorable Russell Pearce, Chairman, House Appropriations (P) Committee

The Honorable Carolyn Allen, Chairman, Senate Health Committee

The Honorable Bob Stump, Chairman, House Health Committee

Jim Apperson, Director, Governor's Office of Strategic Planning and Budgeting

Richard Stavneak, Director, Joint Legislative Budget Committee

AHCCCS Executive Management

Attachment A

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM SUMMARY OF CHANGES TO THE SEPTEMBER 2006 REBASE FISCAL YEAR 2007

		Expenditure		
	State Match/GF	Authority	CHIP Fund	Total Fund
Estimated Acute Care Surplus (Shortfall) (V-Sep-06)	27,684,400	45,794,600	(698,600)	72,780,400
Acute Base and Prop 204 Fee-for-Service Variance	(9,508,500)	(22,524,800)	-	(32,033,300)
Acute Base and Prop 204 Reinsurance Variance	(13,484,100)	(26,718,100)	-	(40,202,200)
Proposition 203 Impact on Tobacco Tax Collections	(9,900,000)	9,900,000	-	-
MSA Tobacco Settlement Variance	(2,873,500)	2,873,500	-	-
Prop 204 TWG Capitation Variance	7,122,200	14,201,800	-	21,324,000
Acute Base and Prop 204 Administrative Adjustments	36,623,500	77,748,300	360,900	114,732,700
Adj. Acute Care Surplus (Shortfall) as of Dec-06	35,664,000	101,275,300	(337,700)	136,601,600
MSA Tobacco Settlement Variance	6,182,600	(6,182,600)	-	-
Medicare Part D Clawback and Copayments Variance	2,317,200		-	2,317,200
Title XIX Budget Adjustments and Flows & TPL	(3,900,700)	7,690,400	-	3,789,700
Increased Title XXI Premium collections	-	-	(688,800)	(688,800)
CY05 PPC and TWG Reconciliation	11,204,700	23,218,300	-	34,423,000
Adj. Acute Care Surplus (Shortfall) as of Apr-06	51,467,800	126,001,400	(1,026,500)	176,442,700
Administrative DOA Data Center Shortfall	(415,200)	(849,500)	-	(1,264,700)
Acute and Administrative Subtotal as of Apr-06	51,052,600	125,151,900	(1,026,500)	175,178,000
Tobacco Collections/Caseload/Expenditure Adj.	2,700,700	14,812,100	1,653,100	19,165,900
Final Acute and Administrative Subtotal	53,753,300	139,964,000	626,600	194,343,900
Estimated Long Term Care Surplus (V-Sep-06)	13,130,800	26,174,800	-	39,305,600
Long Term Care Administrative Adjustments	11,511,000	23,180,500	-	34,691,500
Adj. Long Term Care Surplus as of Dec-06	24,641,800	49,355,300	-	73,997,100
TPL & Caseload/Expenditure Adjustments	4,971,100	6,671,200	-	11,642,300
Adj. Long Term Care Surplus as of Apr-06	29,612,900	56,026,500	-	85,639,400
Caseload/Expenditure Adjustments	(683,800)	1,320,800	-	637,000
Final Long Term Care Subtotal	28,929,100	57,347,300	-	86,276,400
Grand Total Surplus (Shortfall) as of June-06	82,682,400	197,311,300	626,600	280,620,300

NOTES

1) The Long Term Care State Match surplus of \$28,929,100 above consist of the following:

General Fund Surplus	14,499,200
County Fund Surplus	14,429,900
	28,929,100

Pursuant to ARS 11-292.N, the SM surplus for ALTCS is distributed equally between the counties and the state.

The difference between the county and state amounts above is the Medicare Part D Copayment variance which is paid with 100% GF.

2) The June General Fund Surplus amount consists of:

Acute Care	53,753,300
Long Term Care	14,499,200
Total General Fund Surplus	68,252,500

Arizona Health Care Cost Containment System

Appropriation Status Report (ASR)

Fiscal Year 2007

Through June 99, 2007

AHCCCS

Prepared by: Division of Business and Finance

Arizona Health Care Cost Containment System Appropriation Status Report Table of Contents

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APPROPRIATION STATUS REPORT

APPROPRIATED SOURCES AND USES OF FUNDS



AHCCCS

FY 2007 APPROPRIATION STATUS REPORT For the Period Ending June 99, 2007 SUMMARY OF APPROPRIATED EXPENDITURES

AHCCCS	ANNUAL APPROPRIATION	(A) EXPENDITURE PLAN YTD	(B) EXPENDITURES YTD	(A) - (B) VARIANCE YTD	PROJECTED ANNUAL EXPENDITURES	ANNUALIZED VARIANCE
APPROPRIATIONS:	APPROPRIATION	110	TID	110	EXPENDITURES	VARIANCE
ADMINISTRATION						
AHCCCS Operating	\$ 71,743,000	\$ 71,743,000	\$ 66,267,398	\$ 5,475,602	\$ 71,743,000	\$ -
AHCCCS Prop 204 Administration	11,441,000	11,441,000	10,702,132	738,868	11,441,000	•
DOA Data Center	6,982,100	6,982,100	6,321,216	660,884	6,982,100	-
Office of Administrative Hearings DES Eligibility	269,800 62,187,800	269,800 62,187,800	226,311 51,963,099	43,489 10,224,701	269,800 62,187,800	-
DES Prop 204 Eligibility	38,671,600	38,671,600	35,216,165	3,455,435	38,671,600	-
DES Flop 204 Eligibility DES Title XIX Pass-Through	345,600	345,600	236,273	3,455,435	345,600	-
Healthcare Group	3,811,800	3,811,800	3,766,500	45,300	3,811,800	-
Indian Advisory Council	227,300	227,300	212.127	15,173	227,300	-
CHIP - Administration	11,099,200	11,099,200	10,913,702	185,498	11,099,200	_
Computer System Planning	2,000,000	2,000,000	648,466	1,351,534	2,000,000	_
211 System	1,900,000	1,900,000	1,783,732	116,268	1,900,000	_
TOTAL ADMINISTRATION	210,679,200	210,679,200	188,257,121	22,422,079	210,679,200	
ACUTE CARE						
Acute Capitation	1,778,385,100	1,778,385,100	1,773,445,812	4,939,288	1,773,445,800	4,939,300
Reinsurance	113,272,277	113,272,300	91,611,816	21,660,484	91,611,800	21,660,477
Fee-For-Service	461,375,500	461,375,500	403,152,569	58,222,931	403,152,600	58,222,900
Medicare Premiums	84,045,409	84,045,400	84,034,628	10,772	84,034,600	10,809
Breast and Cervical Cancer	868,700	868,700	858,405	10,295	858,400	10,300
Freedom to Work	5,714,100	5,714,100	5,697,206	16,894	5,697,200	16,900
Part D Copay Subsidy	1,629,700	1,629,700	1,538,361	91,339	1,538,400	91,300
Medicare Clawback Payments	24,780,623	24,780,600	24,780,623	(23)	24,780,600	23
SSDI Temporary Medical Coverage	6,500,000	6,500,000	6,500,000	-	6,500,000	-
Prop 204 Capitation	914,420,000	914,420,000	900,213,779	14,206,221	900,213,800	14,206,200
Prop 204 Reinsurance	114,146,900	114,146,900	73,591,530	40,555,370	73,591,500	40,555,400
Prop 204 Fee-For-Service	198,548,600	198,548,600	150,673,641	47,874,959	150,673,600	47,875,000
Prop 204 Medicare Premiums	28,496,100	28,496,100	26,516,990	1,979,110	26,517,000	1,979,100
Prop 204 County Hold Harmless	4,825,600	4,825,600.00	4,825,600	-	4,825,600	-
KidsCare - Children Services	105,798,300	99,086,400	105,487,051	(6,400,651)	105,487,000	311,300
KidsCare - Parent Services	44,226,900	40,890,700	43,793,026	(2,902,326)	43,793,000	433,900
Disproportionate Share Hospital	143,477,339	143,477,300	143,477,300	_	143,477,300	39
Graduate Medical Education	38,541,542	38,541,500	22,512,800	16,028,700	34,512,800	4,028,742
Hospital Loan Residency Program	1,000,000	1,000,000	1,000,000	-	1,000,000	-
Critical Access Hospitals	1,702,210	1,702,200	1,700,000	2,200	1,700,000	2,210
Rural Hospital Reimbursement	12,158,100	12,158,100	12,158,100	-,	12,158,100	-,
TOTAL ACUTE	4,083,913,000	4,073,864,800	3,877,569,236	196,295,564	3,889,569,100	194,343,900
LONG TERM CARE						
LTC - Lump Sum Appropriation	1,060,406,500	1,060,406,500	975,040,732	85,365,768	975.040.700	85,365,800
LTC - Medicare Clawback Payments	19,475,200	19,475,200	18,647,668	827,532	18,647,700	827,500
LTC - Part D Copay Subsidy	585,300	585,300	550,593	34,707	550,600	34,700
LTC - Board of Nursing	404,000	404,000	355,584	48,416	355,600	48,400
TOTAL LONG TERM CARE	1,080,871,000	1,080,871,000	994,594,577	86,276,423	994,594,600	86,276,400
TOTAL EXPENDITURES	\$ 5,375,463,200	\$5,365,415,000	\$5,060,420,934	\$ 304,994,066	\$ 5,094,842,900	\$ 280,620,300

FY 2007 APPROPRIATION STATUS REPORT For the Period Ending June 99, 2007 APPROPRIATED EXPENDITURES BY FUNDING SOURCE

	ANNUAL	EXPENDITURE PLAN	EXPENDITURES	VARIANCE	PROJECTED ANNUAL	ANNUALIZED
	APPROPRIATION / BUDGET	YTD	YTD	YTD	EXPENDITURES	VARIANCE
	STATE - GENERAL FUND					
Iministrative Expenditures	\$ 65,133,600	\$ 65,133,600	\$ 60,529,000	\$ 4,604,600	\$ 65,133,600	\$ -
oposition 204 - Administrative Expenditures	23,574,100	23,574,100	22,714,931	859,169	23,574,100	-
IIP - Administration	2,464,300	2,464,300	2,416,961	47,339	2,464,300	-
ogrammatic Expenditures	000 700 000	200 700 000	0.47.004.070	00 007 707	0.47.004.400	00 007 70
Acute Care Proposition 204 - Acute Care	669,728,809 201,380,200	669,728,800 201,380,200	647,391,073 170,083,323	22,337,727 31,296,877	647,391,109 170,083,200	22,337,70 31,297,00
ong Term Care	135,760,500	135,760,500	125,767,270	9,993,230	121,261,300	14,499,20
CHIP - Services	23,104,800	23,104,800	23,036,825	67,975	23,036,800	68,00
CHIP - Parent Services	9,302,800	9,302,800	9,252,226	50.574	9,252,200	50,60
Acute Care - Hospital Payments	69,318,891	69,318,900	61,318,891	8,000,009	69,318,891	30,00
TAL GF EXPENDITURES	1,199,768,000	1,199,768,000	1,122,510,500	77,257,500	1,131,515,500	68,252,50
	FEDERAL					
Iministrative Expenditures	80,522,000	80,522,000	67,129,621	13,392,379	80,522,000	-
oposition 204 - Administrative Expenditures	24,006,600	24,006,600	20,671,466	3,335,134	24,006,600	-
HIP - Administration	8,634,900	8,634,900	8,496,741	138,159	8,634,900	-
ogrammatic Expenditures	2,304,000	5,55 1,500	0,100,141	.00,.00	0,00 .,000	
Acute Care	1.693.347.200	1.693.345.000	1.629.921.385	63.423.615	1.630.118.400	63.228.80
Proposition 204 - Acute Care	857,382,900	857,382,800	793,495,070	63,887,730	793,495,100	63,887,80
Long Term Care	709,483,800	709,483,800	649,246,584	60,237,216	650,969,600	58,514,20
CHIP - Services	75,981,600	75,981,600	75,251,166	730,434	75,738,300	243,30
CHIP - Parent Services	31,587,900	31,587,900	29,750,325	1,837,575	31,204,600	383,30
Acute Care - Hospital Payments	127,560,300	127,560,300	119,529,309	8,030,991	123,529,300	4,031,00
OTAL FEDERAL EXPENDITURES	3,608,507,200	3,608,504,900	3,393,491,667	215,013,233	3,418,218,800	190,288,40
	COUNTY					
ministrative Expenditures Proposition 204 - BNCF	2,531,900	2,531,900	2,531,900	-	2,531,900	-
ogrammatic Expenditures						
Acute Care	54,433,300	54,433,300	54,433,300	-	54,433,300	-
Long Term Care	235,626,700	235,626,700	218,282,394	17,344,306	221,196,800	14,429,90
OTAL COUNTY EXPENDITURES	292,591,900	292,591,900	275,247,594	17,344,306	278,162,000	14,429,90
	TOBACCO FUNDS					
ogrammatic Expenditures						
Acute Care - Medically Needy	58,840,800	58,840,800	58,832,410	8,390	58,832,400	8,40
Proposition 204 - Medically Needy	24,321,700	24,321,700	17,416,457	6,905,243	17,416,500	6,905,20
Proposition 204 - Emergency Health Services	29,371,200	29,371,200	28,537,333	833,867	28,537,300	833,90
Proposition 204 - Proposition 204 Protection	61,680,000	61,680,000	59,988,158	1,691,842	59,988,200	1,691,80
Proposition 204 - ATLSF	86,301,200	86,301,200	86,301,200	-	86,301,200	-
obacco Sources Revenue Surplus/(Deficit)	<u> </u>		<u> </u>		<u> </u>	
TAL TOBACCO EXPENDITURES	260,514,900	260,514,900	251,075,558	9,439,342	251,075,600	9,439,30
	OTHER					
dministrative Expenditures - HCG	3,811,800	3,811,800	3,766,500	45,300	3,811,800	-
ogrammatic Expenditures						
Acute Care - TPL	194,700	194,700	1,005,701	(811,001)	817,600	(622,90
Long Term Care - TPL	-	-	1,298,329	(1,298,329)	1,166,900	(1,166,90
CHIP Children Premiums	6,711,900	-	7,199,060	(7,199,060)	6,711,900	-
CHIP Parent Premiums	3,336,200	- 20.000	4,790,475	(4,790,475)	3,336,200	-
Freedom to Work Premiums TAL OTHER EXPENDITURES	26,600	28,800	35,549	(6,749)	26,600 15,871,000	(1,789,80
TAL VINER EXPENDITURES	14,081,200	4,035,300	18,095,613	(14,060,313)	13,871,000	(1,769,80
	TOTAL					
ministrative Expenditures	210,679,200	210,679,200	188,257,121	22,422,079	210,679,200	
uninistrative Expenditures cute Care	4,083,913,000	4,073,864,800	3,877,569,236	196,295,564	3,889,569,100	194.343.90
ng Term Care	1,080,871,000	1,080,871,000	994,594,577	86,276,423	994,594,600	86,276,40
OTAL EXPENDITURES	\$ 5,375,463,200	\$ 5,365,415,000	\$ 5,060,420,934	\$ 304,994,066	\$ 5,094,842,900	\$ 280,620,30
TIAL LAI LINDITURLO	ψ 3,313,403,200	Ψ 3,303,413,000	Ψ 3,000,420,934	Ψ 304,334,000	ψ 3,034,042,300	Ψ 200,020,30

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM FY 2007 APPROPRIATION STATUS REPORT APPROPRIATED REVENUE RECEIVED DETAIL SCHEDULE For the Period Ending June 99, 2007

	BUDGET	BUDGET YTD	RECEIPTS YTD
GENERAL FUND:			
Acute & Administrative	\$ 804,181,3	00 \$ 804,181,300	\$ 769,238,964
Proposition 204 - Acute & Administrative	224,954,3		192,798,255
LTC	135,760,5		135,725,793
CHIP	25,569,1	00 25,569,100	25,453,786
CHIP Parents	9,302,8	00 9,302,800	9,252,226
TOTAL	1,199,768,0	1,199,768,000	1,132,469,023
FEDERAL:			
Acute & Administrative	1,901,429,5	00 1,901,427,300	1,888,347,480
Proposition 204 - Acute & Administrative	881,389,5		826,645,523
LTC	709,483,8	· · · · · · · · · · · · · · · · · · ·	649,246,584
CHIP	84,616,5	· · · · · · · · · · · · · · · · · · ·	83,825,819
CHIP Parents	31,587,9		30,468,392
TOTAL	3,608,507,2		3,478,533,798
COUNTY:			
Acute & Administrative	56,965,2	00 56,965,200	57,160,957
LTC	235,626,7		224,170,532
TOTAL	292,591,9		281,331,489
TOBACCO FUNDS:			
Acute Care	E0 040 0	00 50 040 000	E0 922 440
Proposition 204 - Acute Care	58,840,8 201,674,1	· · · · · · · · · · · · · · · · · · ·	58,832,410 192,243,148
TOTAL	260,514,9		251,075,558
OTHER:			
Healthcare Group	3,811,8		3,766,500
Acute TPL - Note 1	194,7	00 194,700	1,005,701
LTC TPL - Note 1	-	-	1,298,329
KidsCare TPL - Note 1	-		18,628
Member Premiums - CHIP	6,711,9		7,199,060
Member Premiums - CHIP Parents	3,336,2		4,790,475
Member Premiums - Freedom to Work	26,6		35,549
TOTAL	14,081,2	00 4,035,300	18,114,241
TOTAL REVENUE	\$ 5,375,463,2	00 \$ 5,365,415,000	\$ 5,161,524,110
I O I AL ILITOL	ψ 3,373,403,2	Ψ 5,505,415,000	ψ 3,101,324,110

APPROPRIATION STATUS REPORT

FOOTNOTES



ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM FY 2007 APPROPRIATION STATUS REPORT For the Period Ending June 99, 2007

Note 1: Third Party Liability revenues collected:	J	une 99, 2007	Ju	ne 99, 2006	J	uly 1, 2006	Jı	ıly 1, 2005
Gross Collections:					Jι	ıne 99, 2007	Ju	ne 99, 2006
Acute TPL	\$	203,312	\$	1,221,880	\$	2,950,429	\$	4,904,775
LTC TPL		500,907		283,726		4,627,541		3,335,428
KidsCare TPL		-		646		26,772		4,395
Total TPL Collections	\$	704,219	\$	1,506,252	\$	7,604,741	\$	8,244,598
Net Collections(Net of Federal Share): Acute TPL LTC TPL	\$	64,158 145,885	\$	349,942 85.461	\$	1,005,701 1,298,329	\$	1,229,696 1,092,520
KidsCare TPL		-		141		18,628		922
Total State Share	\$	210,043	\$	435,544	\$	2,322,658	\$	2,323,139

Note 2: Authorized Positions 1,472.3 1
Actual Positions as of June 30, 2007 1,337.4

¹ The Authorized Positions total does not include 13 HIFA Parents Program FTE that were inadvertently not included when the programs were restored during the FY 2004 budget deliberations.

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM FY 2007 APPROPRIATION STATUS REPORT For the Period Ending June 99, 2007

Note 3: Intergovernmental Service Agreement - State of Hawaii:

Beginning Balance July 1, 2006	\$ 2,878,182
Revenues Transfers-In Total Revenues	 7,810,667 263,076 8,073,743
Expenditures Transfers-out Total Expenditures	 6,371,334 918,103 7,289,437
Ending Balance June 99, 2007	\$ 3,662,488

Of the \$3,662,488 ending balance, \$1,491,683 represents restricted cash advances from the State of Hawaii for the projected expenditures through August 2007.

Note 4: Laws 2006, Chapter 373 created the Temporary Medical Coverage program and established the Temporary Medical Coverage Fund consisting of an appropriation from the General Fund and premiums collected from enrollees. The following schedule provides the budgeted projections and expenditure and revenue activity of the fund.

General Fund Appropriation	\$	6,500,000
Premium Revenue		172,110
Total Available	-	6,672,110
Expenditures		1,915,395
Remaining Balance	\$	4,756,715

	ANNUAL APPROPRIATION / BUDGET	EXPENDITURE PLAN YTD		EXPENDITURES YTD		VARIANCE YTD		PROJECTED ANNUAL EXPENDITURES		ANNUALIZED VARIANCE	
Total Program & Administration	\$ 6,500,000	\$	1,587,600	\$	1,743,285	\$	(155,685)	\$	1,743,285	\$	4,756,715
Premiums	1,151,800		165,600		172,110		(6,510)		172,110		979,690
	\$ 7,651,800	\$	1,753,200	\$	1,915,395	\$	(162,195)	\$	1,915,395	\$	5,736,405

ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM FY 2007 APPROPRIATION STATUS REPORT For the Period Ending June 99, 2007

Note 5: Administrative adjustment activity transferring expenditures with Fiscal Year 2006 dates of service back to Fiscal Year 2006:

	December				
	State	Total			
	Match	Fund			
ACUTE CARE					
Acute Capitation	\$ 103,655	\$ 292,130			
Reinsurance	9,806,178	20,830,000			
Fee-For-Service	4,796,816	31,782,588			
Breast and Cervical Cancer	4,365	18,759			
Freedom to Work	743	17,932			
Prop 204 Capitation	1,756,970	1,756,970			
Prop 204 Reinsurance	13,339,610	30,102,447			
Prop 204 Fee-For-Service	6,653,480	29,409,348			
KidsCare - Children Services	103,940	312,318			
KidsCare - Parents Services	57,743	210,240			
LONG TERM CARE					
LTC - Lump Sum Appropriation	11,510,966	34,691,478			
Total	\$ 48,134,467	\$ 149,424,211			

Note 6: The following is a summary of FY 2007 tobacco funds revenue favorable (unfavorable) variances that are included in the General Fund surplus.

Fund Source		Actual Available Revenue Surplus/(Deficit)	
Emergency Health Services Proposition 204 Protection Tobacco Tax Medically Needy	\$	(833,900) (1,691,800) (6,913,600)	
Total Tobacco Tax Deficit	<u>, </u>	(9,439,300)	
Tobacco Litigation Settlement		4,018,400	
	\$	(5,420,900)	

Pursuant to A.R.S. § 36-2901.02, the Tobacco Litigation Settlement revenue amount received in excess of the legislative allocation have been used to fund programs and services required per § 36-2901.01.